

**Before the Committee on Transportation and
Infrastructure
Subcommittee on Aviation
U.S. House of Representatives**

For Release on Delivery
Expected at
1:30 p.m. EST
Wednesday
January 23, 2002
Report Number: CC-2002-088

Challenges Facing TSA in Implementing the Aviation and Transportation Security Act

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**



Chairman Mica, Ranking Member Lipinski, and Members of the Subcommittee:

I appreciate the opportunity to speak today on the implementation of the Aviation and Transportation Security Act (Act). This is our first testimony since the Act was signed into law on November 19th. The focus of our testimony today will be on aviation security.

Since the Act was passed, overall we are impressed with the diligence and aggressiveness with which the Department of Transportation (DOT) and the Transportation Security Administration (TSA) have moved forward to meet the early deadlines included in the Act. The formative steps taken will be key to the future success of TSA as it moves forward to execute the new law and implement the critical steps for improving transportation security. However, it is important to note that the TSA is responsible for all aspects of transportation security, not just aviation security. Currently, all modes of transportation (transit, rail, motor carriers, coast guard, etc.) are performing risk assessments. In the months ahead, TSA will have to focus resources on addressing security across all modes of transportation.

While progress has been made, clearly the heavy lifting (installing explosives detection systems to screen all checked baggage and hiring a workforce) lies ahead. The most notable steps TSA has taken on aviation security so far include:

- issuing screener qualifications and developing a training plan for aviation security screeners;
- issuing proposed procedures for airport and parking lot operators, and direct vendors to seek part of the \$1.5 billion authorized to cover direct security costs;
- identifying and reporting to Congress on airspace security measures to improve general aviation security;
- issuing guidance for training programs to prepare crew members for potential threat conditions on passenger aircraft;
- issuing the rule to begin collecting the security fee effective February 1st; and
- requiring air carriers to screen 100 percent of checked baggage using explosives detection equipment or alternative means, including positive passenger bag match.

Security is clearly tighter today than before September 11th, but despite new security measures, there are still alarming lapses of security, and much more needs to be done. Since November we have been conducting "undercover audits" of security performance at airports nationwide, as requested by the President. We are briefing DOT, TSA and Federal Aviation Administration (FAA) officials on our results as we perform our work at airports across the country.

Today, I would like to discuss three areas: screening checked baggage, hiring and training the workforce, and immediate budgetary challenges facing TSA.

Air carriers are now required to screen 100 percent of checked baggage using either an FAA-certified explosives detection system (EDS) or an alternative method. Because there are limited EDS units currently available, carriers are relying primarily on positive passenger bag match. Based on our observations on January 18th at airports nationwide, we are pleased with the progress so far. However, positive passenger bag match has limitations and one gap in the process needs to be closed. The current procedure does not cover passengers and their baggage on connecting flights. This gap needs to be closed because by definition if the passenger is not on the same aircraft as the checked baggage, then it is not a positive passenger bag match. In addition, positive passenger bag match will not prevent a suicidal terrorist from blowing up an aircraft by putting a bomb in his baggage, which is why Congress has required all checked baggage to be screened through an explosives detection system by December 31, 2002.

TSA and FAA are working toward having sufficient equipment in place to screen 100 percent of checked baggage with EDS by the end of the year. Currently there is a gap between what the manufacturers can produce and what is needed to meet the December deadline. TSA is working to resolve this issue.

An equally important question is whether equipment can be installed in airport lobbies, as distinguished from EDS units integrated into the airport baggage system, and at the same time keep the aviation system running with a reasonable degree of efficiency. Given the rate that checked bags pass through an EDS machine, the alarm rate experienced by current technology, and the amount of bags checked during peak times at our large airports, we have serious reservations as to whether 100 percent screening can be achieved using the current approach of installing EDS in the airport lobby, rather than integrating them into the baggage handling system.

The task of installing EDS machines will vary by each airport's physical plant and operations. EDS machines integrated into the baggage handling system may very well involve multiple levels of screening with numerous machines. This is why it is imperative that airport operators be key players in this process. We are encouraged that TSA is considering this approach.

Another major challenge facing TSA is the hiring and training of a qualified workforce. Recent estimates indicate that TSA will need to hire at least 40,000 employees, including over 30,000 screeners, an executive team, law enforcement officers, Federal air marshals, and support personnel. It is important to recognize that screeners do more than just screen passengers and their carry-on bags at screening checkpoints -- they also screen checked bags. Since it takes more screeners to operate EDS machines in airport lobbies

as opposed to EDS machines integrated into the baggage system, a key driver in the number of screeners required will be how EDS units are installed at each airport.

There are also tremendous budgetary challenges facing TSA for this year and next, and it is increasingly clear that the cost of good security will be substantially greater than most had anticipated. The cost implications are both in terms of capital costs for equipment and operating costs for personnel. Key drivers are the sheer number of screeners that will be needed and the pace and type of EDS installation.

For fiscal year (FY) 2002, capital costs for the EDS equipment could range between \$1.9 billion and \$2.5 billion, which does not include approximately \$2.3 billion that will be needed to integrate the equipment at airports. Operating costs for personnel in FY 2002 could range between \$2.0 billion and \$2.2 billion. All of this is against a projected revenue base in FY 2002 of between \$2.0 billion and \$2.3 billion. For FY 2003, operating costs will escalate to a range of between \$3.0 billion and \$3.5 billion as TSA experiences its first full year of salary costs.

Given the pace of events since September 11th, it is understandable why there would be such substantial fluidity in the budget numbers. Now, an immediate task for TSA is to move out with dispatch in order to bring as much clarity as possible to its budgetary requirements for this year and next. Establishing credible budgetary requirements would help Congress and the Administration resolve the questions of who will pay for what and in what amount. Much confusion exists in these areas because there are many funding sources – some of which are appropriated and some of which are not. These include revenue from fees, direct appropriations, and airline contributions, as well as changes to how airports can use grant money and passenger facility charges.

As TSA reviews and purchases new aviation security equipment, it must avoid the potential pitfalls of purchasing a significant amount of equipment that will not fit into the ultimate security structure. TSA must develop a framework that integrates all of the many possible solutions into a layered security system. Given the large budgetary requirements, it makes it imperative that TSA have good cost controls to ensure this process is free of waste, fraud, and abuse.

I. Screening Checked Baggage

On January 18th, all carriers with scheduled and public charter service were required to begin screening all checked baggage at airports throughout the United States. An FAA-certified explosives detection system is the preferred method of screening, but between now and December 31st, air carriers have several options for screening checked baggage as an alternative to EDS machines. These options include:

- using non-certified advanced-technology equipment purchased by the FAA (there are currently 21 such machines in use at 9 airports by 8 air carriers);
- using explosives trace detection equipment assessed to be effective by FAA;
- physically searching bags;
- searching checked baggage using FAA-certified canine teams; or
- using a positive passenger bag match program, with a verifiable tracking system, that demonstrates that a passenger's checked baggage is not transported without the passenger.

Positive Passenger Bag Match Increases Security, But It Is Not a Substitute for Screening Checked Baggage, and Gaps in Bag Matching at Connecting Airports Need to Be Closed

Positive passenger bag matching is the primary method carriers will use to screen checked baggage until sufficient explosives detection equipment is available. Currently, there are only 165 operational EDS machines at 52 U.S. airports.

The positive passenger bag match programs do not "screen" checked baggage. Instead, positive passenger bag match ensures that the passenger who checked a bag or bags actually is on the flight with the baggage when the aircraft departs. If the passenger fails to board the aircraft, the air carrier must not load that passenger's checked baggage, or if already loaded, the baggage must be located and removed from the aircraft.

There are limitations to the effectiveness of the positive passenger bag match program, and one gap in the program needs to be closed. Positive passenger bag match currently applies *only at the point of origin*. It does not apply to connecting flights. In other words, if a traveler from Washington to Los Angeles has to transfer at Chicago, the bag match is only applied to the passenger for the Washington-Chicago segment. It is not applied to the passenger for the Chicago-Los Angeles segment. This gap needs to be closed, because by definition if the passenger is not on the same aircraft as his or her checked baggage then it is not a positive passenger bag match. In addition, positive passenger bag match will not prevent a suicidal terrorist from blowing up an aircraft by putting a bomb in his baggage, which is why Congress has required all checked baggage to be screened through an explosives detection system by December 31st.

The Bureau of Transportation Statistics (BTS) estimates that 15 percent of all passengers were connecting passengers.¹ While we have not verified the BTS figures, the 15 percent represents more than 75 million passengers who, under the current procedures, would not have positive passenger bag match apply to them for the second segment of their trip. In addition, the majority of these passengers would be connecting through hub airports. These connecting passengers would not have their checked baggage subject to any

¹ For the 12 months ending June 2001.

screening (not even positive passenger bag match) when departing the hub airport. This creates a higher risk for flights departing hub airports, which are the largest airports in the country.

OIG Observations on Positive Passenger Bag Match Found the Air Carriers Met the New Requirement. In order to gauge how air carriers are meeting the new requirement, we observed 78 flights at 12 airports involving 18 different air carriers on January 18th. Our tests found that the air carriers we observed are using positive passenger bag matching to meet the new 100 percent screening requirement, and that air carriers' operations have not been adversely affected. During our tests, we determined if all passengers were on the aircraft with their checked baggage, or waited at a baggage carousel to determine if any checked baggage arrived at the airport without a passenger. The air carriers we observed predominantly used positive passenger bag match as the option to screen their passengers' checked baggage, with some checked bags also being screened using one of the other options (i.e. EDS, physical search, canine, etc.). While we found some exceptions, given this was the first day the requirement was in effect, we think the air carriers did a good job. In addition, we only recorded five noticeable delays, meaning on the first day, 94 percent of the flights we observed were not delayed. Furthermore, we cannot say for a fact that any of the five delays we observed were directly caused by the new positive passenger bag match procedures.

We all agree that positive passenger bag match will not stop the terrorist willing to commit suicide, but it does represent a clear and significant improvement in checked baggage security over what was conducted on September 11th. TSA must move quickly to assess the effect that the positive bag match program has on air carrier operations and expand the program as early as possible to cover all flight segments, until all checked baggage is screened by EDS.

EDS Screening of All Checked Bags by December 31st Will Be Challenging

TSA faces significant challenges in meeting the requirement to screen 100 percent of checked baggage using explosives detection systems by the end of 2002. Production capability numbers have increased since December from an estimated 587 EDS machines to 1,200 EDS machines, but this still leaves a gap of about 500 machines. Additionally, it is important to place orders now. Both manufacturers need time to ramp-up their production, and delays in ordering could increase the gap between production capacity and the number of machines needed. Finally, TSA must get airport operators involved in determining the installation plan for their airport – what type of equipment is needed, when is it needed, and where it will be installed.

There is a fundamental concern with the approach being taken on the installation of EDS machines – that is whether it will work to put the majority of EDS machines in airport lobbies. No other country in the world is using EDS machines installed in the lobby of a

large airport to screen 100 percent of checked baggage. Preliminary plans at Dulles International Airport show that if the EDS machines (around 50) required to screen all checked baggage are placed in the lobby, there will be limited room for passengers to wait in line for processing. TSA must work with airports, air carriers, and manufacturers to get a better handle on the needs of each airport and factor these data into production needs.

Producing the Equipment. Currently, there is a gap between the number of certified EDS needed and what manufacturers can produce. However, the size of the gap changes based on various scenarios.

FAA estimates that airline passengers check between 900 million and 1 billion bags each year. As of January 17th, only 180 FAA-certified explosives detection systems were installed at 53 airports. Of these systems, 165 were operational at 52 airports. Deployment of these systems began in 1997, and DOT has spent more than \$300 million, including the costs of installing them. To meet the 100 percent screening requirement, FAA² estimates over 2,000 additional EDS machines will need to be installed in 453 airports nationwide over the next year.

Currently there are only two vendors that make FAA-certified explosives detection systems, L-3 Communications and InVision Technologies. We have seen substantial swings in the estimated production capabilities of these two manufacturers. During our visits in December, they showed production plans for a capacity of only 587 machines by December 2002, leaving a gap of 1,400 machines. The Department hired a consulting firm to review how TSA could meet the 100 percent baggage screening requirement by December 2002. The consultant recently estimated that manufacturers could produce as many as 1,200 CTX 5500 or equivalent EDS units by year end, leaving a shortage of about 500 EDS machines.

Using a combination of EDS and trace units to screen the checked baggage, the consultant determined that approximately 1,700 EDS would be required. They believe manufacturers could produce sufficient numbers of trace explosives detection units, so no shortage in trace machines is expected. The consultant looked at multiple implementation schemes, including integrating the equipment into the check-in process, integrating equipment into the baggage system, and screening bags in remote locations such as parking lots.

At the Department's request, both companies are working now to determine their ability to support even higher production rates. Their calendar year 2002 production rates are, however, dependent upon receiving orders. But both vendors need time to ramp-up their

² FAA continues to work with TSA in meeting the requirements of the Act, until February 17th, when TSA takes over responsibility for all aviation security functions.

production, and since the Act was passed, no new contracts have been awarded to purchase this equipment. As the weeks pass without firm orders for EDS machines, the capability of these two companies to produce the required units by the end of 2002 decreases.

The Department and TSA are continuing to work to identify ways to fill the gap between EDS units required and production capabilities. We caution, however, that if TSA decides to make up the shortfall using non-certified equipment, then the cost, effectiveness, and efficiency of the options must be evaluated. A significant investment in non-certified systems may well enable TSA to screen all checked bags through an explosives detection system by the end of December, but non-certified bulk explosives detection systems are not certified for a reason: in some cases they cannot detect all of the threat explosive types. If non-certified equipment is used as a way to meet the requirement, it will eventually have to be replaced, probably at a considerable additional cost and sooner rather than later, by more capable, certified equipment as those systems become available.

Installing the Equipment. Purchasing the equipment, especially EDS, is only half the battle. The equipment must also be installed, and this can take months to accomplish. Installing EDS machines in airport lobbies usually takes less time than integration into the baggage system, but requires more machines and more screeners.

EDS machines are big and heavy, requiring moderate to extensive reengineering, including floor strengthening. At many of our busiest airports, i.e. Dallas-Fort Worth, San Francisco, and Dulles, check-in areas are long and narrow with very little room between the lobby entrances and the ticket counters. As TSA begins using these machines continuously or using trace units to screen checked baggage, additional lines will form in the airport terminal.

Currently, numbers as to how much equipment will be needed, where it will be installed, and how long it will take, are all estimates. We have the largest aviation system in the world, and screening 100 percent of the checked baggage (approximately 1 billion bags a year) will be a real challenge. The question that must be answered is can this equipment be installed in airport lobbies, as opposed to integrating the EDS into the baggage system, and at the same time keep the aviation system running with a reasonable degree of efficiency.

Several airports around the world have explosives detection systems integrated into the baggage system, so that all baggage is screened. However, no country is screening 100 percent of checked baggage, at an airport the size of our large hub airports, with explosives detection systems in the terminal lobby. At Dulles, preliminary designs show that if you place all the EDS required to screen the checked baggage in the main terminal area, there is very little room left for passenger queuing. In addition, since it has never

been done, no one knows for sure if TSA and air carriers could move passengers through the check-in and screening process without significant adverse effects on air carrier operations.

We have serious reservations as to whether 100 percent screening can be achieved using the current approach of installing EDS in the airport lobby, rather than integrated into the baggage handling system, given the rate that checked bags pass through an EDS machine, the alarm rate experienced by current technology, and the amount of bags checked during peak times at the large airports.

At Dulles International Airport, it is estimated that about 47 EDS machines will be needed to screen 100 percent of the checked baggage. During a recent observation at JFK International Airport, an air carrier used 8 to 10 screeners for the EDS machine in order to keep up with the bag flow, which we estimated at 200 bags per hour during our observations. The 8 to 10 screeners operated the equipment, resolved alarms and controlled the baggage until the passengers checked in at the air carrier's ticket counter. In our opinion, it is reasonable to expect at peak periods at least 400 screeners would be needed at Dulles to handle the checked baggage.

Given the success at airports around the world, EDS will most likely need to be integrated into the airport/air carrier baggage systems in order to screen 100 percent of checked baggage efficiently at the largest U.S. airports. It takes significantly more time to reconfigure an airport baggage system to accommodate one or more in-line EDS machines than to place one EDS into an airport lobby. However, once installed into the baggage system, these machines can screen more bags per hour with less screening staff than a machine installed in an airport lobby.

Due to the differences in air carrier operations and airport configuration, one should expect TSA to use a variety of options throughout the country. Neither TSA nor FAA has determined how to reconfigure the over 400 U.S. airports so that 100 percent of the checked baggage will be screened effectively and efficiently by the end of the year.

TSA needs a plan, for at least the top 81 airports (Category X and I), detailing what equipment they will need, where the equipment will be installed, a timeline for accomplishing the installation, how passengers will be processed through the system, and potential effects on air carrier operation. It is critical that TSA work closely with manufacturers, airports, and air carriers to develop a plan for screening checked baggage at each airport. TSA should have teams working at each of the airports now, so that if manufacturers identify a way to close the production gap, TSA will know what type of equipment is needed for each airport and when it needs to be delivered.

EDS Equipment Must Be Fully Utilized

TSA must ensure that the equipment that is deployed is used to the maximum extent possible. We have repeatedly testified since 1998 about the underutilization of deployed EDS equipment. FAA has calculated that significantly less than 10 percent of bags checked during 2000 were screened by an EDS machine. Although the machines are far from being used continuously, we have seen a steady increase in utilization since our last testimony in November, when we reported that only 27 percent of the machines we observed were in continuous use. As part of the Secretary's zero tolerance policy, we have been observing the use of certified EDS machines nationwide. Since November 13th, we have made 167 observations at 19 airports nationwide and found that now 51 percent of the machines we observed were in continuous use as required. However, some machines are still underutilized. For example, on January 18th during a 1-hour observation, 110 bags were checked by passengers, but only 15 of these bags were screened through the available EDS machine. TSA must make maximum use of these valuable and expensive assets.

At each screening location, TSA officials will need to work with air carriers to ensure that a continuous stream of checked baggage is sent to the machines for screening. Until TSA screeners are in place, TSA will also need to monitor screening contractors to ensure they have sufficient trained staff available to properly operate the equipment. On more than one occasion we observed understaffed equipment with only one employee responsible for operating the EDS machine as well as resolving any alarms. This resulted in the machine sitting idle, while the operator manually searched or used trace units to resolve an alarm.

II. Hiring and Training the Workforce

A major challenge facing TSA is the hiring and training of a qualified workforce. Recent estimates indicate that TSA will need to hire over 40,000 employees, including over 30,000 screeners, an executive team, law enforcement officers, Federal air marshals, and support personnel. The number of screeners needed will depend on how EDS is installed at each airport.

TSA has hired an executive recruiting firm to assist it in hiring the initial 81 Federal Security Directors. These individuals will play a key role in hiring and training the screeners and law enforcement officers for their particular airport. TSA has issued new airport screener qualifications, which require employees to be U.S. citizens and to speak and write English. They also require screeners to have a high school diploma, a general equivalency diploma, or one year of any type of work experience that demonstrates the applicant's ability to perform the work of the position.

TSA does not expect to begin taking screener applications until March or April, with the heavy emphasis for hiring starting in May and working through the summer. Assuming TSA does not begin hiring and training until May, TSA would need to hire and train approximately 5,000 screeners per month from May through October in order to have 30,000 screeners hired, trained and on the job by the November 19th deadline.

Before TSA establishes a workforce, it must assume the current screening company contracts from the air carriers by February 17th. TSA will then have to oversee these contractors until TSA screeners are hired and trained. Since airport screeners must now be U.S citizens, and able to speak and write English, a significant number of the current screening workforce will not qualify for screening positions with TSA. During the transition, it will be a challenge for TSA to motivate the contractors and screeners who will not be picked up by TSA. For example, it is estimated that at Dulles International Airport up to 80 percent of the current screeners will not qualify for employment with TSA. It is clear that TSA is trying to address this by setting employment requirements that will allow it to hire as many current screeners as possible. However, as the Secretary's zero tolerance initiative has shown, dangerous items continue to get through screening checkpoints and onto aircraft, so even current screeners that remain will need additional training to bring their performance up to an acceptable level.

TSA used private industry and academia as well as individuals from other Federal agencies to develop its Training Plan for Airport Security Screeners, issued January 18th. This training plan envisions airport screeners receiving 40 hours of classroom training, followed by 60 hours of on-the-job training. TSA intends to measure screener performance throughout the training process with examinations to track performance. Once a screener has worked in the airport environment for at least 6 months and demonstrated his or her skills through achievement examinations and/or skills tests, TSA plans to issue the screener a TSA certification.

Once a screener is certified, TSA plans to provide recurrent training and testing to ensure screener performance remains at an acceptable level. TSA will use a learning management system to track the progress and performance of all airport screeners. TSA can employ, appoint, discipline, terminate and fix the compensation, terms and conditions of Federal service for individuals carrying out the screening functions. In addition, the Act does not require TSA to give airport screeners normal job protections afforded to regular Federal employees, and a screener could be fired almost summarily for not doing their job. We do not know at this time how TSA intends to implement or use this authority, as it has not established the performance standards that screeners must meet as a condition of employment.

TSA is reaching out to industry, but must also reach out to other countries that have extensive experience hiring, training and evaluating a screener workforce. The key to

TSA's success will be in the people and systems it puts in place in the next several months.

III. Immediate Budgetary Challenges Facing TSA

Mr. Chairman, there are tremendous budgetary challenges facing TSA for this year and next, and it is increasingly clear that the cost of good security will be substantially greater than most had anticipated. The cost implications are both in terms of capital costs for equipment and operating costs for personnel, which will be driven by the sheer number of security screeners that will be needed.

In terms of capital costs, the requirement that all checked bags undergo EDS screening by December 31, 2002, carries a large price tag. However, the estimates vary widely depending on the mix of equipment and personnel used. FAA estimated that approximately 2,000 certified EDS machines at a cost of around \$2.5 billion would be needed in order to screen 100 percent of checked bags with certified EDS equipment. This estimate does not include the additional costs to integrate the equipment at the airports, which could exceed \$2.3 billion depending on the nature and type of structural changes required to install EDS.

Other options are being considered, however. For example, TSA is looking into using a higher percentage of trace units in airport lobbies in lieu of using all 2,000 EDS machines. This option would have lower estimated equipment costs (about \$1.9 billion) but would require a much higher number of screeners to operate.

Regardless of the mix TSA uses, it is clear that the agency will need additional funding to purchase the necessary security equipment – so far only \$294 million has been appropriated in FY 2002 for EDS equipment. However, the ultimate funding needs of TSA will be most impacted by who assumes the costs of integrating the equipment – airports or TSA, and how it will be paid for. This is especially relevant for determining who will pay the costs of integrating certified EDS equipment into airport baggage systems.

In terms of operating costs, the costs of salaries, benefits, training, and overhead of an organization that will exceed 40,000 employees are significant. However, determining the cost is dependent, in part, on the mix that TSA uses to meet the December deadline. We have seen estimates that TSA's operating costs in FY 2002 will range between \$2.0 billion and \$2.2 billion based on a screener workforce of between 31,000 and 40,000 employees.

However, these costs are only for part of the year, assuming that hiring of screeners would begin in May. Costs will be substantially higher when TSA must pay salaries for a full year. For FY 2003, operating costs for TSA's workforce could range between \$3.0

billion and \$3.5 billion. *Given the wide range in possible costs, TSA needs to bring clarity to its financial needs for FY 2002 and 2003.*

The Aviation and Transportation Security Act set out a myriad of sources for funding security needs. These include revenue from fees, appropriations, and airline contributions, as well as changes to how airports can use grant money and passenger facility charges. However, it is unclear who will pay for what and in what amount.

Congress created a new passenger security fee of \$2.50 per flight segment with a maximum of \$5.00 per one-way trip or \$10.00 per round trip. Based on the latest projected enplanements for FY 2002, this fee could generate about \$1.0 billion this year and as much as \$1.7 billion in 2003.

Congress also provided the Under Secretary with the authority to impose a fee on air carriers in case revenues from the new security fee are insufficient to meet the needs mandated by the Act. Congress capped that fee at the total amount spent by air carriers for screening passengers and property in calendar year 2000.

As shown on the chart below, we estimate that TSA currently has funding of about \$2.0 billion to \$2.3 billion for operating and capital costs in FY 2002. That funding consists of revenue generated by the new security fee and FY 2002 initial and supplemental appropriations. The differences in the revenue estimates are based on whether a fee is imposed on air carriers and, if so, how much. The Department has estimated that the airlines spent upwards of \$700 million for screening in calendar year 2000. Our estimates assume no contribution from the airlines to as much as \$300 million, assuming that collections begin in May and are apportioned as required by the Act (\$700 million x 5/12).

TSA Funding Sources for FY 2002³

(\$ in millions)

FY 2002	Low	High
Security Fee	\$1,038	\$1,038
Airline Contribution	\$0	\$300
FY 2002 Appropriations for Civil Aviation Security	\$150	\$150
FY 2002 First Supplemental	\$452	\$452
FY 2002 Second Supplemental	\$100	\$100
Subtotal: Operations Funding	\$1,740	\$2,041
FY 2002 Appropriations for EDS	\$97	\$97
FY 2002 Supplemental EDS	\$196	\$196
Subtotal: EDS Funding	\$293	\$293
Total Funding	\$2,033	\$2,334

Mr. Chairman, clearly it is a case of TSA's costs substantially exceeding revenues. For TSA's part, the agency needs to develop its plan for meeting the December deadline and establish credible cost estimates for both operating and capital costs, so that Congress and the Administration can determine how these additional costs can be funded. Clearly, the ways and means of bridging this gap need to be clarified – whether it be through airline contributions, additional fees, Grants-in-Aid to Airports, Passenger Facility Charges, and/or appropriations. There is significant confusion over who will pay for what, in what amount, and from what funding source.

Given the need to control costs, it is important that, as TSA reviews and purchases new aviation security technology, it avoid a shotgun approach. TSA must avoid the potential pitfalls of purchasing a significant amount of equipment that will not fit into the ultimate security structure, but rather develop a framework that integrates all of the many possible solutions into a layered security system. When purchasing and deploying equipment, TSA needs to evaluate the cost, effectiveness, maturity, and efficiency of each type of equipment to ensure it gets the highest pay-off in improved security for the funds spent. Given the large budgetary requirements, it makes it imperative that TSA have good cost controls to ensure that this process is free of fraud, waste, and abuse.

This concludes my statement. I would be pleased to answer any questions.

³ In the FY 2002 Appropriations for the Department of Transportation, Congress provided \$1.25 billion from the General Fund for the TSA. However, Congress stipulated that the amount is to be offset by any collections from the new security fee and, as a result, cannot result in any actual expenditures from the General Fund.